

Weekly Nifty Observer

Issue - 141

07 to 11 May 2012

Nifty Outlook

.....5050/5090 levels will act as a very crucial support zone for Nifty next week

Support

5050/4970 (4890 remote support)

Resistance

5150/5220 (5370 remote resistance)

Market Strength Indicators (Weekly)

14 period RSI - Down by 4.25 points from 50.03 levels previous week

14 period StochRSI - Unchanged from 0.00 levels previous week

Stochastic - Down by 4.48 points from 34.92 levels previous week

Market Intensity Indicator (Weekly)

NFP - At premium of 11.1 points from premium of 23.2 points previous week

Volatility - Unchanged at 0.21 levels

Open Interest (Weekly)

Cummulative OI Future -

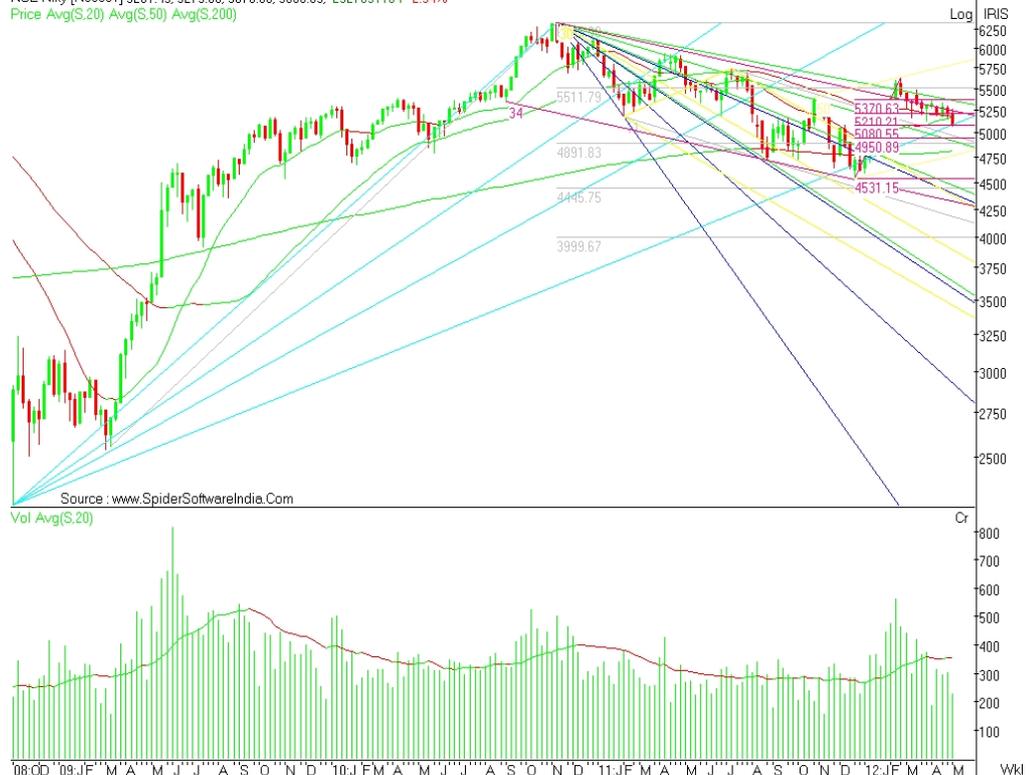
Cummulative OI Options -

OI Call -

OI Put -

Spot Nifty Weekly Chart

NSE Nifty [N59901] 5201.45, 5279.60, 5070.60, 5086.85, 2327631104 -2.34%
Price Avg(S.20) Avg(S.50) Avg(S.200)



Technical Comments

Weekly Nifty closed 2.34 % down at 5086.85 levels after making high of 5279.60 and low of 5070.60 levels. It must be noted that last week Nifty tested an important support levels of 5080 levels and closed around it on weekly basis.

Since forty nine weeks, Nifty is trading below the lower part of the channel which was drawn from high of 5181.95 (week ending 23/10/2010), high of 6335.90 (week ending 12/11/2010) and low of 3918.75 (week ending 17/07/09).

Since last two weeks Nifty manages to give closing below the upper part of the channel (5270/5250 levels). The channel is drawn from the low of 5348.90 (week ending 03/09/2010), low of 4720.00 (week ending 26/11/2011) and high of 6335.90 (week ending 12/11/2010). In next few weeks if Nifty moves inside this channel then, it will move towards the lower part of the channel below 4500 levels.

On historical weekly chart, Nifty retested 4th speed line. Eighteen consecutive week earlier it tested 4th speed line (around 4700/4650 levels). Continuation of trade above it then, 5000 levels will act as important mid to long term support levels in weeks to come. The speed line was drawn from the low of 2252.75 levels (week ending 31/10/08) and high of 6335 levels (week ending 12/11/10). Only, sustainability above 4th and last speed line will open path for Nifty to move towards 3rd speed line around 6000 levels with many psychological resistance levels. The probability to move towards 3rd speed line will grow stronger with continuation of consolidation above and around 4th speed line.

Over historical weekly chart twenty nine weeks earlier, Nifty tested, but failed to sustain above the lower part of channel of Andrew's Pitchfork (around 5840 levels). The Andrew's Pitchfork is drawn from the low of 936.70 (week ending 17/04/03), high of 6357.10 (week ending 11/01/2008) and low of 2539.45 (week ending 06/03/2009).

On weekly basis Nifty was found trading below its 20 weeks SMA around 5180.36 levels, below its 50 weeks SMA around 5176.99 levels and above its 200 weeks SMA at 4810.71 levels along with fall in volume which was below its 20 weeks SMA. It must be noted that Nifty after four consecutive weeks of closing below its 200 days SMA on W-o-W basis, since last seventeen weeks it managed to close above it. LONG TERM TREND TURNED OUT TO BE BULLISH FIRST TIME IN 2012 ON W-O-W BASIS. SUSTAINING ABOVE ITS 200 PERIOD SMA ON W-O-W BASIS WILL ENSURE FOR BULL PHASE IN WEEKS TO COME.

Next week sustainability below 5170 will ensure for 4890/4810 levels in weeks to come. If however, Nifty manages to trade above 5170 levels next week it will ensure for 5400/5500 in weeks to come.

The Data: On weekly basis, Nifty closed 2.34 % down along with 23.81 % fall in volume and fall in open position by 21.31 %.

Interpretation of Data: Nifty fall with fall in volume and fall in OI suggesting that the market is making its bottom and the higher probability is that the price will rise at some point forward.

Fall in Nifty with fall in open position on W-o-W basis suggests that the current fall of 2.34 % in Nifty was mainly due to long liquidation in May 12 future contracts.

Implication of the Interpretation: First trading week of May 12 future expiry saw continuation of long liquidation on W-o-W basis. Out of four trading sessions, fresh short build up was observed in two trading sessions while in one session long liquidation and in rest one short covering was there. Continuation of fresh short build up along with long liquidation will force Nifty to trade below 5200 levels in weeks to come. Initiation of short covering will only provide support to Nifty in between 5000 and 5100 levels; else 4890 levels will hold as major support.

Global Cues

Source: Yahoo Finance

Market Outlook - After Wall Street ended its worst week of the year on Friday, market will look across the Atlantic next week to take their cue from Europe as France and Greece go to the polls. That could offer some respite from a string of weak U.S. economic data and the earnings season winding down.

Developments in Europe - Markets worldwide have closely watched developments in Europe for the past several months, with calls for austerity seen as positive for stocks as they seek to prevent a credit crisis in the region that could take down or deeply hurt the global economic recovery. But an economic slowdown throughout the region has amplified calls for a change of direction.

Expectations from France Poll - In France, the prospect of a victory by Francois Hollande over conservative incumbent Nicolas Sarkozy, which would instate the country's first Socialist president since 1995, initially alarmed some investors. Hollande's win could be a hurdle to the German-led drive for austerity in Europe.

Greece's voting - Adding to the markets' jitters is that anti-bailout parties are expected to perform well in Greece's vote on Sunday, raising the risk of more opposition to already unpopular reforms.

Technical levels - Technical levels could regain importance next week as the U.S. economic data calendar thins and fewer than 30 of the S&P 500 components are expected to report earnings. On no news all start looking at charts.

S&P Indices Expectations - Recently the S&P found support near 1,360. If it is violated, it would be a bad sign. The S&P 500 slipped below that level twice last month and bounced back, but has since found strong resistance at 1,400. The recent soft economic data, capped with Friday's payrolls report showing the third straight month in which hiring had slowed, has dampened hopes for a convincing break upward.

Economic Data - The high points of next week's economic calendar will come on Friday, with the U.S. Producer Price Index for April and the preliminary reading for May on consumer sentiment from the Thomson Reuters/University of Michigan surveys.

Results - In terms of earnings, the top names next week include Dow components Walt Disney Co, which reports on Tuesday, and Cisco Systems, due Wednesday. Wednesday will also bring Macy's earnings report, followed Thursday by Kohl's, which will be dissected for clues on the mood of U.S. consumers.

National Cues

Source: Capital Market

Market Outlook - Investors are closely watching India Inc's Q4 March 2012 and year ending March 2012 (FY 2012) earnings. The results announced so far have been mixed. Debate in parliament on Finance Bill 2012 will further pave way for market.

Results - HDFC announces FY 2012 results on Monday, 7 May 2012. Hindalco and Asian Paints unveil Q4 results on Tuesday, 8 May 2012. Kotak Mahindra Bank and IDFC unveil FY 2012 results on the same day. PNB and Ranbaxy unveil quarterly results on Wednesday, 9 May 2012. NTPC announces FY 2012 results on Thursday, 10 May 2012. Cipla announces Q4 results on the same day. Dr Reddy's Laboratories announces FY 2012 results on Friday, 11 May 2012.

Weakness in Rupee - The current weakness of the rupee against the dollar will benefit exporters and impact importers adversely, a weak rupee makes imports costlier. A weak rupee boosts revenue of IT firms in rupee terms as the sector derives a lion's share of revenue from exports. A weak rupee will increase the competitiveness of Indian merchandise exports.

Finance Bill 2012 - The Finance Bill 2012 is scheduled to be debated and passed in Parliament next week. In his Budget 2012-13, Finance Minister proposed tax-avoidance legislation viz. General Anti-Avoidance Rules (GAAR). He also has proposed to amend the Income Tax Act, 1961 with retrospective effect to bring into tax net overseas mergers and acquisitions involving domestic assets.

Mauritius Tax Treaty Review - The Indian government is considering a review of its tax avoidance treaty with Mauritius as it looks to boost revenue, junior Finance Minister S.S. Palanimanickam said Friday, 4 May 2012. There has been unwillingness on the part of Mauritius to cooperate in addressing this problem. Palanimanickam said that consistent efforts are being made by the Indian government to find mutually acceptable solutions for addressing India's concerns.

Changes in Taxing Transactions - The Finance Bill 2012 has also proposed retrospective changes that will empower the government to tax transactions that have taken place outside the country, but involve underlying assets located in India, a move prompted by a Supreme Court verdict that went against the government. The proposal will have the power to tax retroactively. If this retroactive tax is approved, it would hurt the sentiment of foreign investors toward India.

IIP Data - On the macro front, the government will unveil industrial production data for March 2012 on Friday, 11 May 2012. Industrial production rose 4.1% in February 2012.

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